



The Daily Dish

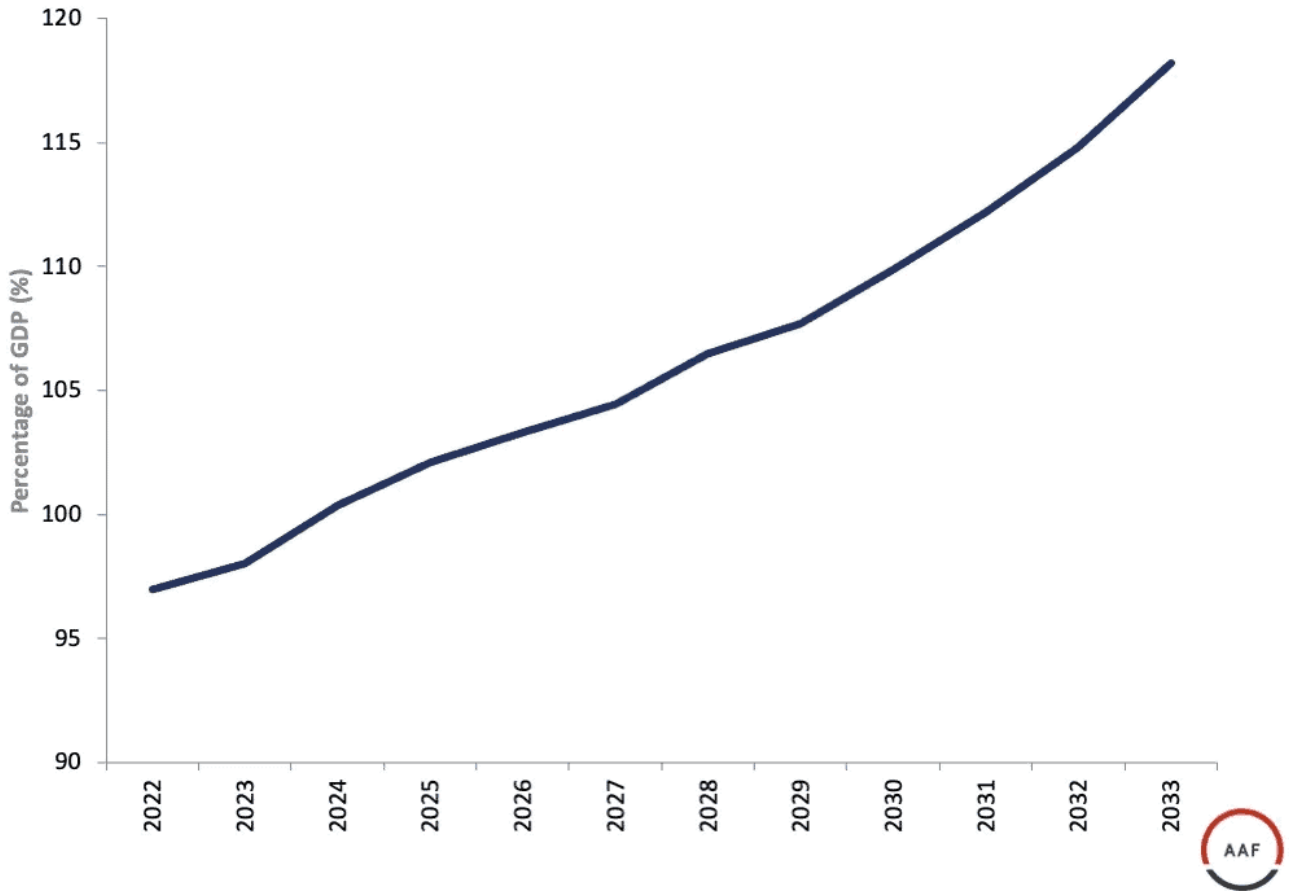
Federal Budget PSA

DOUGLAS HOLTZ-EAKIN | JULY 13, 2023

Remember the public service announcement (PSA)? [Only you can prevent forest fires?](#) [This is your brain on drugs?](#) [Buckle your seat belt \(crash\) dummy?](#) Gordon Gray has just released his [Budget Chart Book](#), which Eakinomics thinks of as kind of a federal budget PSA: There's a serial offender lurking out there and we are all in danger! If you are an aficionado of colonoscopies, defibrillation, funeral processions, or other upbeat occasions, this comprehensive slice-and-dice of the budgetary present and outlook is for you.

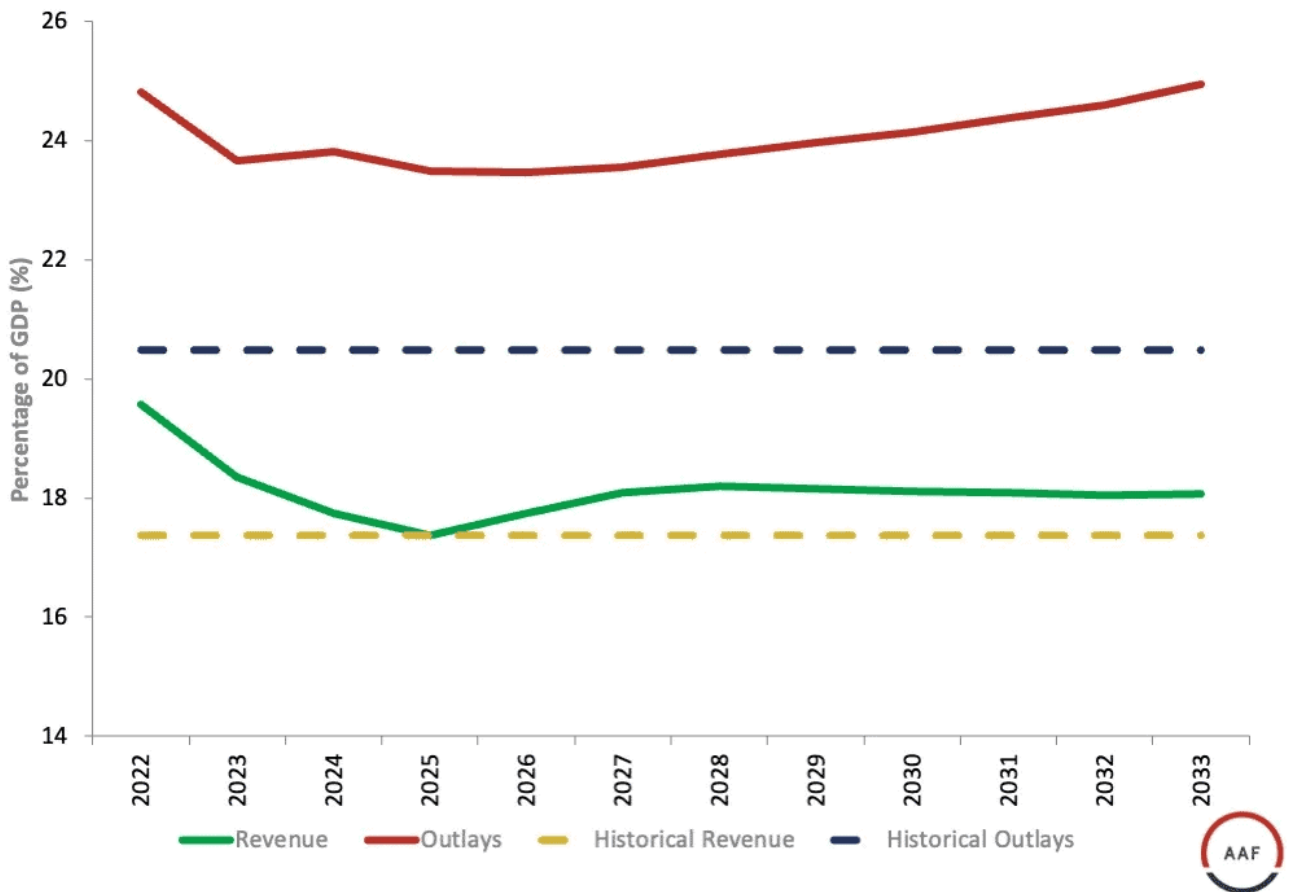
It contains the immortal "pathway to fiscal Armageddon" debt chart (see below). The beauty of this chart is that you can change the dates on the lower axis and the vertical will adjust to produce exactly the same picture as far as the eye can see. You can change the vertical axis to absolute dollars. Same picture. Interest costs. Same picture. It is so universally usable that I carry one in my wallet.

DEBT ON AN UPWARD TRAJECTORY



But perhaps the most striking chart is reproduced below. Everyone has become accustomed to the finger-pointing by the left that conservatives decimated the federal revenue base in the 2017 tax act. And they are comparably used to the left insisting that conservatives are hell-bent on cutting federal spending below needed levels. The reality is that federal spending is *wwwwaaaaaayyyy* above historical norms (nearly 4 percent of gross domestic product, GDP) and federal revenues are above the historical average as well. Even more important, spending steadily rises over time and revenues do not.

HIGHER THAN AVERAGE SPENDING AND TAXATION



This raises two considerations. The first is that deficits will rise (as a fraction of GDP) as far as the eye can see. This is because revenues will always rise at the same pace as the economy (4 percent with 2 percent growth and 2 percent inflation), while the big entitlement programs grow as much as twice that fast. Raising taxes does not solve this problem. Yes, the deficit is smaller for a while, but eventually spending always outgrows revenue and the deficits return. The left's tactic of disguising their antipathy to economic success as fiscal sobriety is simply empty. One must deal with the spending programs.

The second issue is that rising spending is really a question of "what is the right size for government?" Small-government conservatives interested in a pro-growth environment have good reason to worry about today's historically out-of-sync budgets, and to fear the business-as-usual future. Every dollar transferred, via taxes or borrowing, from private-sector investment to federal spending represents foregone productivity and a lower future standard of living. It is essential to stop these self-inflicted economic wounds.

So, pour yourself a nice glass of castor oil and sit back with the Budget Chart Book. Enjoy!